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DECLARATION
OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR HEARTHSTONE PLACE SECTION ONE

THIS DECLARATION, made on the date hereinafter set forth by THE MOODY CORPORATION, a Texas corporation, hereinafter referred to as "Declarant".

WITNESSETH:

WHEREAS, Declarant together with the entities listed on Appendix 1 hereof are the owners of certain property in Harris County, Texas, which is more particularly described in Exhibit A attached hereto and incorporated into this document for all purposes;

WHEREAS, Declarant has heretofore abandoned and vacated the restrictions and protective covenants which covered and affected such property and now desires to provide for an overall plan of orderly development for Hearthstone Place Section One;

NOW THEREFORE, Declarant hereby declares that all of the properties described above shall be held, sold, and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, the real property and be binding on all parties having any right, title, or interest in the described properties or any part thereof, their heirs, successors, and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

Section 1. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot (as defined herein) which is a part of the Properties (as defined herein), including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

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59

002-75-1892

Section 2: "Properties" shall mean and refer to that certain real property hereinbefore described, and such additions thereto as may hereafter be brought within the jurisdiction of the declarant.

Section 3. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties.

Section 4. "Declarant" shall mean and refer to The Moody Corporation, its successors and assigns if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 5. "Architectural Control Committee" shall mean and refer to Architectural Control Committee established in accordance with the provisions of Article IV hereof.

Section 6. "Board" shall mean and refer to the Board of Directors of the Association.

Section 7. "Association" shall mean and refer to the Hearststone Place Section One Community Association, a Texas non-profit corporation, its successors and assigns.

Section 8. "Common Area" shall mean and refer to each of the greenbelt areas and landscape reserves established for the purpose of providing open space for aesthetic purposes and recreational uses and for the purpose of establishing, operating and maintaining utility and other facilities.

ARTICLE II

LAND USE, CONSTRUCTION STANDARDS AND RESTRICTIONS

Section 1. Permitted Uses. No building shall be erected, altered, or permitted to remain on any Lot other than one detached single family dwelling use for residential purposes only, and not to exceed two (2) stories in height. Each dwelling on a Lot shall have an attached or detached garage or carport for one (1) or more cars but not more than three (3) cars. As used herein, the term "residential purposes" shall be construed to

002-75-1893

prohibit mobile homes or trailers from being placed on the Lots, or the use of such Lots for garage apartments or apartment houses and no Lot shall be used for business or professional purposes for any kind, nor for any commercial or manufacturing purposes. No temporary building of any kind, with the exception of lawn storage, children's playhouses and temporary construction trailers shall ever be moved onto any Lot. :

Section 2. Construction Standards. The construction, remodeling or alteration of any building or other structure within the Properties shall meet the standards set forth in this Declaration and those of any governmental authorities with jurisdiction over the Properties in effect during the year(s) of construction. No building shall be covered with sheet or corrugated aluminum (except for aluminum carports, if approved by the Architectural Control Committee in its sole discretion), corrugated fiberglass, asbestos, iron or steel. Further, buildings shall only be constructed out of brick, exposed aggregate concrete, stucco, wood, glass and such other materials as are approved by the Architectural Control Committee. Unless the Architectural Control Committee otherwise consents in writing, the exterior finish or construction of the first floor of any two story building shall be of at least fifty percent (50%) brick, stone or other masonry. The roof of any building may be constructed with asphalt composition shingles of either 235 lbs. or 300 lbs. per 100 square feet of roof, whichever from time may be permitted by the Architectural Control Committee, or wood shingles or ceramic tile of such weight and quality as are approved by the FHA from time to time.

Section 3. Set-backs. Except as may be permitted in Section 4 of this Article II, no buildings (except for a detached garage which may be no nearer than three (3) feet to the side or rear Lot line) shall be located on any Lot nearer to the front or rear Lot Line or nearer to the street side line than the minimum

002-75-1894

building set-back line shown on the recorded sub-division map or plat of the Property. There shall be a building set-back of five (5) feet from any side Lot line. The Architectural Control Committee reserves the right during its review of construction plans to relax setback requirements on such Lot where necessary or desirable, in its sole discretion, to accomplish a more effective and compatible land utilization. :

Section 4. Zero Lot Line Option.

A. Placement. The front building set-back line shall be as set forth in the recorded plat of the subdivision. A resident's dwelling constructed pursuant to this option must be designed so that a minimum of fifty percent (50%) of the linear distance of one (1) wall of the resident structure shall be constructed adjacent to and abutting a side Lot line. The side Lot line chosen for such construction shall be deemed and hereinafter referred to as the "Zero Lot Line" and the Owner utilizing this Option shall be deemed and hereinafter referred to as the "Zero Lot Line Owner." Provided, however, an open court or patio may be built adjacent to and abutting the Zero Lot Line but such open court or patio must be enclosed by a masonry or wood wall having a minimum height of six (6) feet. Such wall must be constructed adjacent to and abutting the Zero Lot Line and enclose the court or patio in such a manner that the court or patio appears to be an extension of the Zero Lot Line Owner's dwelling. Any wall abutting and adjacent to the Zero Lot Line (the "Zero Lot Line Wall") must have no exterior objects or appurtenances, attached thereto or contained therein, including but not limited to electric panels, vents, plumbing cleanouts, windows, or openings of any kind, unless such wall is on the street side of a corner Lot. Where the Zero Lot Line-Wall is on the street side of a corner Lot, normal openings and exterior appurtenances may be constructed thereon. The roof overhang and attached guttering of a dwelling built pursuant to this option

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may extend and encroach over the Zero Lot Line for a distance not in excess of twenty-four (24) inches. For all Lots satisfactorily developed pursuant to this Zero Lot Line Option there is hereby established a ten (10) foot minimum distance between the Zero Lot Line and the resident's dwelling situated upon the adjoining Lot. In the event of a conflict as to whether a Lot is designated for Zero Lot Line as it relates to any adjacent Lot, the Lot upon which a building permit is first secured shall control the architectural designation of such adjacent Lots. An open court or patio wall constructed in accordance with this section shall not be considered a part of the Zero Lot Line Owner's dwelling.

B. Zero Lot Line Access Easement. The election by an Owner, its successors and assigns of the Zero Lot Line Option as evidenced by the completion of construction of a dwelling complying with the requirements of this Zero Lot Line Option shall entitle such Lot Owner to a five (5) foot access easement extending the entire depth of the Lot from front to back abutting and in parallel to the Zero Lot Line Wall, over, on and across the adjacent Lot for construction, repair, and maintenance of improvements located on the Zero Lot Line. Conditions and use of the Zero Lot Line Access Easement are hereby declared and established by and between the Owner of the Zero Lot Line and the Owner of the adjacent Lot. These conditions are covenants running with the land binding both of the above-mentioned Owners and all of their respective heirs and assigns; to-wit:

- (1) the Zero Lot Line Owner must replace any fencing, landscaping, or other items on the adjacent lot that he damages during construction, repair, or maintenance of his residence structure while utilizing the Zero Lot Line Access Easement.
- (2) the Zero Lot Line Access Easement, when utilized by the Zero Lot Line Owner for construction,

002-75-1896

repair, or maintenance of his residence, must be left clean and unobstructed, unless the Zero Lot Line Access Easement is being utilized continuously and any items removed from the Zero Lot Line Access Easement must be replaced.

- (3) the Zero Lot Line Owner must notify the Owner of the adjacent Lot of its intent to do any construction, repair, or maintenance upon the Zero Lot Line Wall that will require the utilization of the Zero Lot Line Access Easement, at least twenty-four (24) hours before commencing work. The hours during which the Zero Lot Line Access Easement may be utilized are between 8:00 a.m. and 5:00 p.m. Monday through Friday and 9:00 a.m. - 6:00 p.m. on Saturday or any other time which is mutually agreed upon by both the Zero Lot Line Owner and the Owner of the adjacent Lot.
- (4) both the Zero Lot Line Owner and the Owner of the adjacent Lot shall have the right of surface drainage, over, along, and upon the Zero Lot Line Access Easement. Neither Owner shall use the Zero Lot Line Access Easement in a manner that will interfere unreasonably with such drainage.
- (5) neither Owner shall attach any object to the Zero Lot Line Wall, facing into the Zero Lot Line Access Easement and the owner of the adjacent Lot shall have no right to utilize the Zero Lot Line Wall for any purpose including but not limited to a playing surface for any sport. Moreover, no structure shall be constructed or placed upon the Zero Lot Line Access Easement by either Owner, except for the roof overhang and guttering as provided for above, and a fence by the Owner of

002-75-1897

the adjacent Lot which allows drainage; however, access to the Zero Lot Line Access Easement must be preserved for the Zero Lot Line Owner.

Section 5. Size. The square foot area of the main structure of any one-story residential unit, exclusive of open porches and garages shall not be less than 1000 square feet, and the square foot area of the first floor of the main structure of any two-story residential unit, exclusive of open porches and garages, shall not be less than 800 square feet. For the purposes of computing the square feet requirements contained herein, all measurements shall be from the outside of the exterior walls of the structure.

Section 6. Nuisances or Illegal Activities. No illegal, noxious or offensive activities of any kind shall be conducted on any portion of the Properties, and the Architectural Control Committee shall have the exclusive and final determination as to what activity constitutes a noxious or offensive activity. No use shall be permitted which is offensive by reason of odor, fumes, vibrations, dust, smoke, radiation, noise or pollution, or that is hazardous by reason of excessive danger or fire or explosion or that will cause or produce a nuisance as to any other portion of the Properties.

Section 7. Oil, Gas and Mining Operations. No oil or gas exploration, drilling, or development operations or oil and gas refining, quarrying, or mining operations of any kind shall be permitted upon or within any portion of the Properties, nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon or within any portion of the Properties. No derrick or other structure to be used for boring for oil or natural gas shall be erected, maintained, or permitted upon any portion of the Properties.

Section 8. Animal Husbandry. No animals, livestock, or poultry of any kind can be raised, bred, or kept on any Lot or

002-75-1898

anywhere within the Properties except that no more than a total of two (2) normal household pets may be kept in each Lot, subject to the rules and regulations adopted by the Architectural Control Committee, provided that such pets are not kept, bred or maintained for any commercial purpose within the Properties.

Section 9. Antennae. No electronic antennae or device of any type other than an antennae for transmitting or receiving television or radio signals shall be erected, constructed, placed or permitted to remain on any structure, improvement or building unless such antennae is located to the rear of the roof ridge line, and is not visible from any street or other right-of-way. No antennae, either free standing or attached, shall be permitted to extend above the roof of the structure on which erected, nor shall be erected on a wooded pole.

Section 10. Signage. No sign of any kind shall be displayed to the public view on any Lot except each Owner may place one sign of not more than 4 square feet on each Lot for the purpose of advertising such Lot for sale or rent.

Section 11. Storage. No boats, trailers, campers, horse trailers, buses, inoperative vehicles of any kind, camping rigs, boat rigging or other vehicle or associated equipment of a recreational or commercial nature shall be parked or stored permanently, or semi-permanently on any Lot unless properly screened from public view in a manner approved in writing by the Architectural Control Committee. Each Owner shall keep his garage door in its closed position at all times the same is not in use.

Section 12. Landscape. On the front lawn or wherever visible from any street, there shall be no decorative appurtenances placed, such as sculptures, bird baths, fountains, or other decorative embellishments, fences or any plant, hedge, tree, shrub, fence, wall, structure or other improvement (including play ground and recreational equipment) unless the

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002-75-1899

same shall have been approved in writing by the Architectural Control Committee.

Section 13. Maintenance. The Owner and lessee of any portion of the Properties shall have the duty and responsibility for keeping the premises, building, improvements, appurtenances and landscaping in a well maintained, safe, clean and attractive condition at all times. Should any such Owner or lessee fail to fulfill this duty to maintain, any other Owner shall have the right and power to perform such care and maintenance, and the Owner or lessee shall be liable for the cost thereof.

Section 14. Temporary Structures. No temporary building or structure other than the construction offices and structures for related purposes during the construction period for improvements on a Lot shall be installed or maintained on any Lot without the prior written approval of the Architectural Control Committee. All temporary structures used for construction purposes must receive approval from the Architectural Control Committee with regard to location and appearance and must be removed promptly upon the completion of construction.

Section 15. Right of Developer, the Architectural Control Committee and/or the Association to Perform Work or Act. In the event of a default on the part of any Owner in observing any of the requirements set out in Sections 1-14 of this Article II, the Declarant, the Architectural Control Committee and/or Association shall have the right to enter upon such Owner's Lot through its agent without liability to said Owner (or any lessee, tenant, invitee, customer, or licensee of such Owner) for trespass or otherwise, and to cause to be done any work or act necessary to secure compliance with these protective covenants and requirements, and may charge such Owner for the cost of any such work or act. The cost of any such work or act performed by the Declarant, the Architectural Control Committee and/or the Association shall be assessed against each Owner's property upon

002-75-1900

which such work or act is done. The amount due shall be the personal obligation of said Owner, and together with any interest thereon accrued at the maximum lawful rate permitted by applicable Texas or Federal law, whichever permits the higher lawful rate (or if there is no such maximum, then at the rate of twenty-five percent (25%) per annum, from the date due hereunder until paid, shall be collectible by that Declarant, the Architectural Committee or the Association, as the case may be, in an appropriate action at law and equity, and shall be secured by valid and prior lien, hereby created and fixed, on such Owner's Lot and all improvements thereon. The lien hereby created shall be subordinate and inferior to (a) all liens for taxes or special assessments levied by Harris County, for the State of Texas, or by any political subdivision or special district hereof, and (b) all liens, including, but not limited to vendor's liens, deeds of trust, mortgages and other security instruments which secure any loan for any part of the purchase price other than the Lot and/or the cost for improvements thereon and which are filed for record prior to the date payment to Declarant, the Architectural Control Committee or the Association before any such work or act becomes due and payable; provided, however, a foreclosure of said prior lien shall free any Lot from the lien securing any amount thereafter becoming due and owing to Declarant, the Architectural Control Committee, or the Association under this Section 15, but such foreclosure shall not affect the personal liability of the Owner of the Lot.

Section 16. Exempted Property. Notwithstanding any provisions herein to the contrary, the Common Area shall not be subject to or burdened by building and use restrictions set forth in this Article except that the extent the same are made specifically applicable to the Common Area.

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198

ARTICLE III:

EASEMENTS

Section 1. Existing Easements. The Properties are subject to certain existing easements for streets and utilities which appear of record in the Office of the County Clerk of Harris County, Texas. All such recorded easements are incorporated herein by this reference, and the title conveyed by Declarant to any Tract shall be subject thereto, whether or not so provided in the deed conveying same. Declarant's title to any utility lines, facilities, and appurtenances within the easements shall not pass to the purchaser of any Lot but shall remain with Declarant and may be given, sold or leased by Declarant to any public authority, utility company or holder of a public franchise at any time thereafter.

Section 2. Right to Dedicate. Declarant hereby reserves the right to dedicate, convey or otherwise create by instruments or plat filed for record in the Office of the County Clerk of Harris County, Texas other easements upon, across, over and under all of the Properties for ingress or egress in connection with installing, operating replacing, repairing and maintaining all utilities. Notwithstanding anything contained in this paragraph to the contrary, no sewer, electrical, water, gas or communication lines, or other utility appurtenances may be installed or relocated on the Properties until approved by Declarant or the Association.

Section 3. Easement for Declarant, etc. An easement is hereby granted to Declarant, the Architectural Control Committee, the Association and their respective officers, agents, employees, and management personnel to enter upon any Lot to render service or perform any of their respective functions.

Section 4. No Right to Grant Easement. No Owner shall grant any easement on, over, under, or across any Tract without the prior written approval of Declarant, the Architectural

Control Committee or the Association and any attempt to make such a grant shall be of no force or effect.

ARTICLE IV

ARCHITECTURAL CONTROL

Section 1. Approval of Plans. All construction and development in the Properties shall be subject to the approval of the Architectural Control Committee. No building, structure, fence, mailbox, wall, walk, interior road, parking facilities, landscaping, exterior lighting, carport, sign or other improvement shall be commenced, erected, constructed, placed or maintained upon the Properties, nor shall any exterior addition to or change or alteration therein be made until the detailed plans and specifications therefor, including, but not limited to, site layout, building location, building materials, colors, elevations, signs, landscaping, internal drainage, off-street vehicular parking, vehicular access and flow, exterior illumination and underground utilities, shall have been submitted to and approved in writing by the Architectural Control Committee as to compliance with this Declaration, minimum structural and mechanical standards, and location and situation on the Lot, and as to harmony of external design or location in relation to property lines, building lines, easements, grades, surrounding structures, walks, and topography (including the orientation of the front and rear of any such building with respect to the property lines). The Architectural Control Committee, in its discretion, may require that it be furnished with such structural, mechanical, electrical and/or plumbing details of the proposed improvements or alterations thereto as it deems necessary. In the event the Architectural Control Committee fails to approve or disapprove such plans and specifications within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and the provisions of this Section will be deemed to have been fully

002-75-1903

copied with; provided, however, that the failure of the Architectural Control Committee to approve or disapprove such plans and specifications within such thirty (30) day period shall not operate to permit any structure or other improvement to be commenced, erected, placed, constructed or maintained on any portion of the Properties in a manner inconsistent with any one or more provisions of this Declaration. Without limitation of the powers herein granted, the Architectural Control Committee shall have the right to specify a limited number of acceptable exterior materials and/or finishes that may be used in the construction, alteration or repair of any improvement on any Lot. It also shall have the right to specify requirements for each Lot as follows: the location, height and extent of fences, walls, or other screening devices; and the orientation of the structure with respect to access and major entry and frontage. The Architectural Control Committee shall have full power and authority to reject any plans and specifications that do not comply with the restrictions herein imposed or meet its minimum construction or architectural design requirements or that might not be compatible, in the sole discretion of the Architectural Control Committee with the design or overall character and aesthetics of the Hearthstone Place project.

The Architectural Control Committee's approval of any building and site plans for any building or other improvement to be constructed or in any other manner to exist on a Lot shall be and is hereby conditioned upon the Architectural Control Committee's receiving, prior to the pouring or placement of any portion of the foundation or footings for any such building or other improvements, (1) a plat of survey of such Lot, prepared by a registered professional surveyor or engineer and bearing the certificate (with a current date) of such surveyor or engineer stating that such plat depicts the findings of a current, on-the-ground survey and inspection and showing the actual

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198

002-75-1904

location of the forms for the foundation of such building or other improvements (or the portion of such foundation for which approval to pour or place is then being sought) to be in the location depicted on the site plan previously approved by the Architectural Control Committee (without deviation deemed material by the Architectural Control Committee), and (2) a written certificate from such surveyor or engineer, or from the independent supervising architect for such building project, or from such other person as shall be satisfactory to the Architectural Control Committee, certifying (in form reasonably satisfactory to the Architectural Control Committee) that when poured no portion (above or below the surface of the ground) of such foundation shall extend beyond any property lines of such Lot or into any easement or applicable set back area as herein (or by other applicable restrictions or law) provided.

The Architectural Control Committee shall have five (5) business days from the date on which the Architectural Control Committee receives such plat of survey and certificate (in the form provided for herein) within which to determine that the location of the foundation to be poured is consistent with the site plan previously approved by the Architectural Control Committee and does not encroach (above or below the surface) into any property or into any easement or building set back area. If the Architectural Control Committee fails to approve or disapprove such plat of survey and certificate within such five (5) business day period, then the Architectural Control Committee shall be deemed to have approved the location of such foundation, provided, however, that the Architectural Control Committee shall not thereby be deemed to have approved the location of such foundation to the extent any portion thereof shall encroach (above or below the surface) into any property, into any easement or into any building set back area.

002-75-1905

Section 2. Composition of Architectural Control

Committee. For a period of ten (10) years after the effective date hereof (herein called the "Initial Period"), the Architectural Control Committee shall be composed only of Declarant, except that Declarant from time to time may designate one or more representatives to act for it, and at any time during the Initial Period, Declarant may assign its right to act as the Architectural Control Committee, and its right to designate a representative or representative to act for the Architectural Control Committee, to the Association. As of the effective date of any such assignment, the Association shall succeed to Declarant's rights, duties and obligations in connection with such matters and Declarant shall cease to have any obligations, duties or responsibilities in connection therewith.

The Architectural Control Committee shall be composed initially of John S. Moody, George Moody and Jack L. Baber who by majority may designate a representative to act for the Architectural Control Committee. At anytime, the Owner of a majority of the Lots may (by executing and delivering a duly recorded instrument) change the membership of the Architectural Control Committee or to withdraw or restore to the Architectural Control Committee any of its powers and duties. The address of the Architectural Control Committee is 3355 West Alabama, Suite 1010, Houston, Texas 77098.

After the expiration of the Initial Period, the Architectural Control Committee shall be composed of three (3) persons who shall be appointed by the Board and shall serve for successive ten (10) year terms. The Board shall have the right to remove and replace any member of the Architectural Control Committee appointed by the Board at any time, with or without cause. A vote of the majority of the members of the Architectural Control Committee shall be required for any action or decision of, and shall be sufficient to bind, the Architectural Control Committee.

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19

ARTICLE V

HEARTSTONE PLACE COMMUNITY COMMUNITY ASSOCIATION

Section 1. Organization and Purposes. The Association is to be formed, organized and operated as a non-profit corporation under the laws of the State of Texas. The purposes of the Association are or shall be stated in its Articles of Incorporation and include or shall include the enforcement of this Declaration.

Section 2. Board of Directors. The Association shall act through a five (5) member Board of Directors, which shall manage the affairs of Association. The initial Board and all subsequent members of the Board shall be elected by the Class B Member (hereinafter defined) until such time as the Class B membership terminates, and thereafter until their successors are duly elected and qualified pursuant to the by-laws of the Association.

Section 3. Membership and Voting Rights. Each Owner, whether one or more persons or entities, shall, upon and by virtue of becoming an Owner become a member ("Member") of the Association and shall remain a Member until such time as his ownership or fee simple title to the surface estate of any Lot terminates for any reason, whereupon his membership in the Association shall automatically terminate. The Declarant shall also be a Member of the Association. The Association shall have the following classes of membership with the following voting rights:

Class A Members: The Owners (exclusive of Declarant) shall be the Class A Members. By virtue of such membership, each Owner shall have one (1) vote for each Lot owned by him within the Properties which is not subject to any purchase money lien held by Declarant.

Class B Member: Declarant shall be the sole Class B Member. Declarant shall have three (3) votes for each Lot within the Properties owned by it or on which it holds a purchase money lien. The Class B membership shall terminate and be converted to a Class A membership upon the happening of either of the following events, whichever is the first to occur: (a) when the total votes outstanding in the Class A membership is equal to or greater than the total votes outstanding in the Class B membership, or

(b) January 1, 1995. If Declarant is still the owner of any land within the Properties at the time its Class B Membership terminates, Declarant shall become a Class A Member entitled to one (1) vote for each Lot within the Properties owned by Declarant or on which it holds a purchase money lien.

When more than one Owner holds an interest in any land, all such persons or entities shall determine among themselves how the vote for such land shall be exercised, but in no event shall more votes be cast than the number that are attributable to such land. Votes may be cast in person or by duly authorized proxy. Any Owner who is delinquent in the payment of any assessment as hereinafter set forth shall not be entitled to vote during any period in which any such assessment is delinquent.

Section 4. Voting After Termination of Class B Membership. After the termination of the Class B Membership, the Class A Members alone shall have the right to elect the Board and to vote on all other matters requiring a vote of the Association's membership.

ARTICLE VI

ASSESSMENTS

Section 1. Purpose. The assessments provided for herein shall be used exclusively to enforce the provisions contained in this Declaration and to promote the health, safety, welfare and enjoyment of the Owners, residents of the Properties, and in particular for services and facilities devoted to this purpose, including by way of illustration, but not limited to, the lighting, sweeping, landscaping, mowing and/or maintenance of public streets, esplanades, areas adjacent to public streets, entry markers, signage within or for the Properties and garbage pick-up and disposal services.

Section 2. The Amount of Annual Assessments. The annual assessments provided for herein are to provide the funds reasonably anticipated to be needed for the purposes stated in Section 1 of this Article, including reasonable reserves

therefor. Until January 1 of the calendar year immediately following the conveyance of the first Lot to an Owner, the annual assessment on each Lot shall be \$72.00. Each year the Board by a majority vote of a quorum present at a meeting called to act on such matter, or by unanimous written consent, shall set the annual assessment for each Lot for the succeeding calendar year. From and after January 1 of the calendar year immediately following the conveyance of the first Lot to an Owner, the annual assessment as set forth in the preceding sentence shall be adjusted upward at the end of such calendar year, and at the end of each calendar year thereafter by an amount equal to the lesser of (a) 10% of the previous calendar year's annual assessment, or (b) an amount equal to the same proportion that an increase in the Average Price Index bears to the Base Index, such increase to be effective as to any calendar year only to the extent it exceeds a similar increase then effective established in a prior calendar year. In applying the formula set forth in (b) above, the following definitions shall apply:

- (i) "Bureau" means the United States Department of Labor, Bureau of Labor Statistics or any successor agency that shall issue the indices or data referred to in subparagraph (ii).
- (ii) "Price Index" means the Consumers' Price Index, All Urban Consumers, for the City of Houston, Texas, All Items (1967=100) issued from time to time by the Bureau, or any other measure hereafter employed by the Bureau in lieu of such Price Index which measures the cost of living in the City of Houston, Texas.
- (iii) "Average Price Index" for any yearly period means the average of the Price Indexes issued in the 12 months prior to the last day of that particular calendar year period. In calculating the Average Price Index, there shall be excluded any index which itself is an average (i.e., there shall be no averaging of averages).
- (iv) The "issue" of a Price Index means the release to the public of the Price Index, and the date of issue shall be the date it is so released whether or not the issue index is for the current month or period in which the release occurs or for a prior month or period.
- (v) The "Base Index" means the Average Price Index for the calendar year 1984.

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Notwithstanding the foregoing, definitions of Price Index and Base Index, the Declarant reserves the right to amend such definitions of the Price Index and Base Index, so long as the Price Index is one which is in general use, is promulgated by an agency of the United States and is substantially the same as the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index previously identified. Inasmuch as the annual assessment for the calendar year 1984 is already established by this Declaration, the first annual assessment to be set by the Board shall be set during 1984 for the calendar year 1985. No increase in the annual assessment shall take effect retroactively. In the event the Board shall fail to set the annual assessment for any calendar year, the assessment for such calendar year shall be the assessment in effect for the preceding calendar year.

Section 3. Special Assessment for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year for the purpose of financing, in whole or in part, the cost of any construction, reconstruction, repair or replacement of the improvements contained within the Common Area, including fixtures and personal property related thereon, provided that any such assessment shall have been approved by a vote of two-thirds (2/3) of the Members of each class of Members of the Association.

Section 4. Commencement Date and Due Dates for Annual Assessments. The annual assessment provided for herein shall commence on the date fixed by the Board of Directors. The first annual assessment shall be made for the balance of the calendar year in which it is made and shall be payable on the day fixed for commencement, or in equal monthly, quarterly or semi-annual installments over the balance of the year, as elected by the Board of Directors. The assessments for each calendar year after

002-75-1910

the first year shall be due and payable to the Association in advance on the first day of January each year, or in equal monthly, quarterly or semi-annual installments over such year, at the election of the Association.

Section 5. Unimproved Portions of the Properties Owned By Declarant and/or Builders. Declarant and/or any builder or building company which owns a Lot not developed with a permanent residence but improved with paved streets, water, sewer and other utilities shall pay fifty percent (50%) of the annual assessment applicable to each such Lot owned by Declarant and/or such builder or building company, such amount accruing on a monthly basis beginning with the date of recordation of this Declaration, with the entire amount being due and payable on the date such undeveloped Lot is developed with a single family residence and sold to a home owner. Any Common Area conveyed by Declarant to the Association shall also be subject to the annual assessment, and each Member shall be obligated to pay to the Association his pro-rata share of the annual assessment attributable to such Common Area.

Section 6. Duty of Association. It is understood that the judgment of the Association of the allocation and expenditure of funds received by it through the annual assessments shall be final. Neither the Association, the Board nor any member of the Board shall have any liability to any person or entity for any action or inaction so long as the Association and the Board exercise reasonable judgment in good faith. The enumeration of services for which the annual assessment may be expended is not intended to and does not create any obligation on the part of the Association or the Board to furnish any of such services except to the extent funds adequate to pay for such services are actually received by the Association.

Section 7. Effect of Non-Payment of Assessments: Remedies of Association. If an assessment is not paid on the date when it

002-75-1911

is due and payable as specified herein, then such assessment shall be delinquent and shall, together with interest thereon, attorney's fees, court costs and other costs of collection thereof, be secured by a continuing lien on the Lot in respect of which such delinquent assessment is owed and shall also be the personal obligation of the then Owner of such Lot. If the assessment is not paid within thirty (30) days after its due date, the assessment shall bear interest from the due date until paid at the maximum rate of interest permitted by applicable Texas or federal law, whichever permits the higher lawful rate (or if there is no such maximum, then at the rate of twenty-five percent (25%) per annum), and the Association may bring an action at law against the Owner personally obligated to pay the same or may foreclose the lien against the Lot and thereafter, at its option, recover the deficiency, if any, from such Owner.

Section 8. Lien to Secure Assessments; Subordination of Lien to Certain Mortgages. The annual assessment on each Lot shall be secured by a separate, valid and subsisting lien, which is hereby created and fixed upon and against said Lot and all improvements thereon, for the benefit of the Association and all other Owners and shall be prior and superior to all other liens, except that the same shall be subordinate and inferior to (a) all liens for taxes or special assessments levied by Harris County or the State of Texas, or by any political subdivision or special district thereof, and (b) all liens, including but not limited to, vendor's liens, deeds of trust, mortgages and other security instruments which secure any loan for any part of the purchase price for the Lot and/or the cost of improvements thereon and which are filed for record prior to the date the annual assessment becomes due and payable. The voluntary sale or conveyance of any Lot shall not free any Lot from the liens securing assessments assessed against such Lot; provided, however, a foreclosure of said prior liens shall free any Lot

002-75-1912

from the liens securing assessments due prior to said foreclosure sale (or paid in lieu thereof). No sale or transfer of a Lot shall relieve the personal obligation of the Owner of the Lot to pay assessments thereafter becoming due and payable or from the lien securing the same.

ARTICLE VII

COMMON AREA

Section 1. The Association. The Association is hereby granted an easement and right-of-way in and to the Common Area for the purposes stated in the definition of Common Area set forth hereinabove, subject to the other provisions of this Declaration.

Section 2. Owners' Easement of Enjoyment. Each and every Owner shall have and is hereby expressly granted a perpetual and non-exclusive right and easement of use and enjoyment, for the purposes stated herein, in and to the Common Area, which right shall be appurtenant to and shall pass with the title to every Lot or part thereof, subject to the following rights and provisions:

- a. The right of the Association to make, publish and enforce reasonable rules and regulations governing the use and enjoyment of the Common Area or any part thereof, all of which reasonable rules and regulations shall bind and benefit each Owner;
- b. No Owner shall plant, place, fix, install or construct in, on, under or over or remove any vegetation, hedge, tree, shrub, fence, wall, structure or improvement from, or store any of his or its personal property in, on or under, or interfere with the free flow of pedestrian traffic on, over and along the Common Area or any part thereof without the express prior written consent of the Association. The Association may, without liability to the Owner or Owners thereof, remove anything placed in, or replace anything removed from, the Common Area in violation of the provisions of this sub-section and recover the cost of such removal or replacement from the Owner(s) responsible;
- c. The right and/or duty of the Declarant to construct private streets, trails, drainage structures, landscape areas, recreational facilities and other improvements within the Common Area;

002-75-1913

- d. The right of the Association to dedicate or transfer all or any part of its easement rights to the Common Area to any public agency, authority or utility; and
- e. The right of the Association to suspend the voting rights in the Association of any Owner and the right of any Owner to use the Common Area for any period during which any assessment against such Owner's land remains unpaid, and for a period not to exceed sixty (60) days for any infraction of the published rules and regulations of the Association.

Section 1. Delegation of Use. Any Owner or occupant may delegate his right of use and enjoyment of the Common Area and facilities to the members of his family, his tenants, contract purchasers, customers or clients.

ARTICLE VIII

GENERAL PROVISIONS

Section 1. Duration. This Declaration shall be binding on the Property and the Owners, and shall inure to the benefit of and be enforceable by the Association or the Owner of any land subject to the Declaration and their respective legal representatives, heirs, successors and assigns, for the Initial Term commencing on the effective date hereof and ending twenty (20) years after such effective date, and shall be automatically renewed and extended for successive periods of ten (10) years, unless a majority of the then Owners of the Lots execute and deliver for recordation an instrument agreeing to change or terminate this Declaration in whole or in part. Except as otherwise stated in Section 2 of this Article VIII, this Declaration may be amended or terminated only by an instrument executed by the President and Secretary of the Association after it has been recommended to the Members by Board of the Association, by a majority vote of a quorum present at a meeting called to act on such matter, or by the unanimous written consent of the Board, and after it has been authorized and approved by two-thirds (2/3) vote of a quorum of each Class of Members

002-75-1914

present at a meeting of the Members called to act on such matters. No such amendment shall be construed or applied to prohibit the continuing or continuous use of Lot for a purpose for which it was being used in compliance with this Declaration before such amendment.

Section 2. Amendments by Declarant. Declarant shall have, and hereby reserves, the right, at any time and from time to time, without the joinder or consent of any other party, including, without limitation the Association, to amend this Declaration by an instrument executed by Declarant and filed for record in the Office of the County Clerk of Harris County, Texas, for the purpose of correcting any typographical or grammatical error, ambiguity or inconsistency appearing here in, provided that any such amendment shall be consistent with and in furtherance of the general plan of development as evidenced by this Declaration and shall not impair or affect the vested property or other rights of any Owner or lienholder.

Section 3. Enforcement. The Declarant, the Architectural Control Committee, the Association or any Owner (at such Owner's expense) shall have the right to enforce, by proceedings at law or in equity, all restrictions, covenants, conditions, reservations, liens, charges, assessments and provisions set out in this Declaration; provided, however, that the failure of such party to take any action upon a breach of or default under any provision contained in this Declaration shall not render such party liable in any manner for such failure, and shall not be deemed a waiver of the right to take action if such breach or default continues, or to take action upon any subsequent breach or default hereunder.

Section 4. Declarant, Association and Architectural Control Committee not Liable for Damages. Neither Declarant, representatives designated by Declarant to act for it under this Declaration, successors and assigns of Declarant, officers and

002-75-1915

directors of the Association nor members of the Architectural Control Committee shall be liable in damages to any Owner, to any lessee, tenant or other occupant of any land or improvement covered by this Declaration or to anyone else in connection with the exercise or failure to exercise the powers, duties and authorities set forth in this Declaration, by reason of mistake in judgment, negligence or nonfeasance. Every person who submits plans and specifications for approval pursuant hereto agrees, by submission thereof, and every Owner, lessee or tenant of any of the property subject hereto agrees, by acquiring title thereto or a leasehold interest therein, that he will not bring any action or suit against any of said persons or parties to recover any such damages.

Section 6. Interpretation. If this Declaration, or any word, clause, sentence, paragraph, or other part thereof, shall be susceptible to more than one interpretation, then the interpretation which is most nearly in accordance with the general purposes and objectives of this Declaration shall govern.

Section 7. Omissions. If any punctuation, word, clause, sentence, or provision necessary to give meaning, validity, or effect to any other word, clause, sentence, or provision appearing in this Declaration shall be omitted herefrom, then it is hereby declared that such omission was unintentional and that the omitted punctuation, word, clause, sentence or provision shall be supplied by inference.

Section 8. Notices. Any notice required to be sent to any Owner or Member under the provisions of this Declaration shall be deemed to have been properly sent when mailed, postpaid, to the last known address of the person who appears as Owner or Member on the records of Developer, the Architectural Control Committee or the Association, as the case may be, at the time of such mailing.

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1984

002-75-1916

Section 9. Gender and Grammar. The singular, wherever used herein, shall be construed to mean the plural, when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or individuals, male or female, shall in all cases be assume as though in each case fully expressed.

Section 10. Severability. Invalidation of any one or more of the covenants, restrictions, conditions, or provisions contained in this Declaration, or any part thereof, shall not affect any of the other covenants, restrictions, conditions, or provisions hereof, which shall remain in full force and effect.

Section 11. Exhibits. Exhibit A attached hereto is incorporated herein for all purposes.

Section 12. FHA/VA Approval. So long as the Declarant, its successors and assigns, is in control of the Association, the following actions will require the prior approval of the VA and FHA: (a) annexation of additional properties, (b) dedication of any Common Area, and (c) amendment (other than correction of typographical and ministerial errors of this Declaration).

EXECUTED the 11th day of November, 1984.

THE MOODY CORPORATION,
a Texas corporation

By: [Signature]
Name: James L. Jones
Title: Executive Vice President

This instrument is executed by the undersigned lienholder to submit its liens, to the extent that such liens cover and affect the property described in Exhibit A, to the covenants, conditions and restrictions contained herein.

GIBRALTAR SAVINGS ASSOCIATION

By: [Signature]
Name: James D. Hirst
Title: Vice President

002-75-1917

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on 12th day of December, 1984 by Jack L. Pober, Exec Vice President of THE MOODY CORPORATION, a Texas corporation, on behalf of said corporation.

[Signature]
Notary Public in and for
the State of Texas :

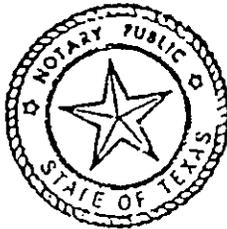
My commission expires: 12/31/86

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on 13th day of November, 1984 by James D. Hurst, Vice President of GIBRALTER SAVINGS ASSOCIATION, a saving association, on behalf of said association.

[Signature]
Notary Public in and for
the State of Texas

My commission expires: _____



NANCY E. VAN RHEEN
Notary Public for the State of Texas
My Commission Expires 6/19/87

COP
19

RETURNED TO:
National Title Company
55 Waugh Drive, Suite 101
Houston, Texas 77007

002-75-1918

APPENDIX ONE

No other entities involved in this Section.

"EXHIBIT A"

002-75-1919

Lots 1 through 61, Block 1; Lots 1 through 53, Block 2,
Hearthstone Place, Section One, a subdivision in Harris
County, Texas according to the plat thereof recorded in
Volume 329, Page 45 of the Map Records of Harris County,
Texas.

COPY
19

STATE OF TEXAS
COUNTY OF HARRIS
I hereby certify that this instrument was filed in
the public records on the date and at the time hereinafter
shown in the first line and was duly attested in the presence
of the Judge of the County of Harris County, Texas on

DEC 19 1984



Paul R. ...
COUNTY CLERK,
HARRIS COUNTY TEXAS

DEC 19 2 57 PM '84
Clara ...
COUNTY CLERK
HARRIS COUNTY TEXAS

RECEIVED MAR 0 1 2003
W528666
03/25/03 100098749

\$13.00

INSTRUMENT TO RECORD ADDITIONAL OR REVISED DEDICATORY INSTRUMENT

This Instrument is being recorded by HEARTHSTONE PLACE SECTION ONE COMMUNITY ASSOCIATION, a Texas non-profit corporation (the "Association") pursuant to Section 202.006 of the Texas Property Code.

Section 202.006 of the Texas Property Code requires a property owners' association to record each dedicatory instrument in the real property records of the County in which the property to which the dedicatory instrument relates is located, if such instrument has not previously been recorded.

Pursuant to Section 202.006 of the Texas Property Code, the Association caused various dedicatory instruments to be attached to a document entitled "Instrument to Record Dedicatory Instruments" (as amended from time to time, the "Instrument") dated December 28, 1999, and further caused the Instrument to be recorded in the Real Property Records of Harris County, Texas, under Clerk's File Number U149874.

The Board of Directors of the Association recently adopted a Lot Maintenance Policy

Pursuant to Section 202.006 of the Texas Property Code, the Association does hereby place of record the Lot Maintenance Policy, a copy of which is attached hereto. Note that the Lot Maintenance Policy of the Association is subject to amendment pursuant to the amendatory procedures applicable thereto.

Executed on the 20th day of February, 2003.

HEARTHSTONE PLACE SECTION ONE
COMMUNITY ASSOCIATION,
a Texas non-profit corporation

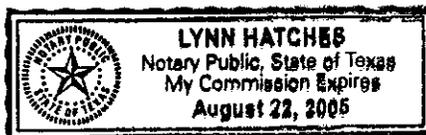
By: [Signature]
Name: PETE T. ALANIS
Title: President - Hearthstone H.A.

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on February 20, 2003, by Pete Alanis,
of HEARTHSTONE PLACE SECTION ONE COMMUNITY ASSOCIATION, a Texas non-profit corporation, for and on behalf of said corporation.

[Signature]
Notary Public, State of Texas

AFTER RECORDING, RETURN TO:
Mark K. Knop
HOOVER SLOVACEK, L.L.P.
5847 San Felipe, Suite 2200
Houston, Texas 77057
122024-35



FILE FOR RECORD
8:00 AM

MAR 25 2003

[Signature]
County Clerk, Harris County, Texas

**CORPORATE RESOLUTIONS OF BOARD OF DIRECTORS OF
HEARTHSTONE PLACE SECTION ONE COMMUNITY ASSOCIATION**

Lot Maintenance Policy

Pursuant to the Texas Non-profit Corporation Act, the following resolution is hereby adopted by the undersigned, being all the directors of Hearthstone Place Section One Community Association (the "Association").

RECITALS

WHEREAS, pursuant to Article II, Section 15 of the Declaration of Covenants, Conditions and Restrictions for Hearthstone Place Section One (the "Declaration"), The Moody Corporation (the "Declarant"), the Architectural Control Committee (as defined in the Declaration) and/or the Association or their respective agents have the right to enter upon lots within the Hearthstone Place Subdivision (the "Subdivision") and cause to be done any work or act necessary to secure compliance with the Declaration and charge the costs of such work to the owner of the property which is in violation of the Declaration; and

WHEREAS, the Subdivision is completed and therefore, the Declarant has not been involved with the Subdivision for many years and it is anticipated that the Declarant will not be involved in the Subdivision in the future;

RESOLUTION

NOW THEREFORE, BE IT RESOLVED that the Board of Directors hereby duly adopts the following procedures in connection with the Association's right to enter upon lots within the Subdivision to secure compliance with the Declaration and charge the costs for such work to the owner of such lot.

1. As a general rule, the Board of Directors or its agents will only enter upon properties within the Subdivision to perform needed maintenance upon those portions of the lot that are visible from any street and will not perform other maintenance on the lot or improvements on the lot.
2. In extreme circumstances, the Board of Directors or its agents may enter portions of the lot that are not visible from any street to perform needed maintenance in situations in which the house appears to have been abandoned, for safety issues or to address complaints from neighbors that the property poses a nuisance or haven for pests.

EXECUTED this 21 day of January, 2003.

Hearthstone Place Section One Community Association

Pete Alanis
Pete Alanis, Director

Robyn M B
Robyn Brown, Director

Russell Dickerson
Russell Dickerson, Director

Bill Day
Bill Day, Director

Jason Swoboda
Jason Swoboda, Director

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.
THE STATE OF TEXAS
COUNTY OF HARRIS
I hereby certify that this instrument was FILED in File Number Sequence on the date and at the time stamped herein by me; and was duly RECORDED in the Official Public Records of Real Property of Harris County, Texas on

MAR 25 2003



Dorely B. Kaufman
COUNTY CLERK
HARRIS COUNTY, TEXAS